

OPTION TO PURCHASE DOCUMENT

This Option to Purchase is made between GWC Properties, a North Carolina General Partnership, hereinafter referred to as "Sellers" and the City of Durham, hereinafter referred to as "City."

The Sellers, for one dollar (\$1.00) paid to them at the time of signing this Option, grant to the City the exclusive option to purchase the property described on Exhibit "A" attached hereto, together with all other improvements located on the property in the County of Durham, North Carolina (hereinafter referred to as the "Property").

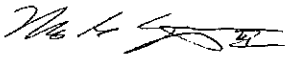
The terms and conditions of this Option are as follows:

1. Terms: This Option shall exist and continue from the time of execution until closing which shall occur no later than January 9, 2015. Approval by City Council shall occur no later than November 3, 2014 or this Option shall expire. No later than sixty (60) days from the time of execution of the Option to Purchase the City shall complete the appraisal for the property and advise Seller if the City still intends to exercise the option.
2. Terms of Option: The terms on all pages of this document are a part of this Option.
3. Purchase Price: The purchase price for the subject property shall be Five Million Four Hundred Ninety Thousand and NO/100 Dollars (\$5,490,000.00) paid by check or wire transfer on an account of the City, subject to sellers providing to buyer evidence that all tenant leases shall terminate or be terminable on or before December 31, 2015.
 - a) It is understood that, regardless of appraisal, GWC Properties will sell the property for \$5,490,000.00.
 - b) Upon receipt of an appraisal, the City shall inform the Seller in writing as to the appraised value as determined by an MAI Appraiser retained by the City. If the property appraises for 90% or less of the purchase price, either party has the right to cancel this Option.
4. The Sellers jointly and severally represent and warrant that, as of the date of this Option and as of the date of conveyance of the Property to the City, they are not aware of any reason to suspect that the Property contains any "Environmental Contamination", except as may otherwise be stated in this Option. If before closing the City discovers any reason to suspect that the Property contains any Environmental Contamination, it may rescind any obligations to purchase the Property, provided that the Sellers may retain the earnest money, if any. This Section 4 shall not be construed to reduce any rights that the City may have with respect to Environmental Contamination that would exist in the absence of this Section 4. The parties stipulate that the City is relying on this Section 4 in acquiring the Property.
5. "Environmental Contamination" means petroleum products (including but not limited to oil, gasoline, and kerosene), hazardous wastes, hazardous substances, hazardous materials, toxic substances, toxic wastes, hazardous air pollutants, and toxic pollutants, as those terms are used in any federal, state, or local laws, rules, regulations, codes, and ordinances, as amended from time to time.
6. "Rental Income." Until closing, Seller shall be entitled to all rental income generated by the Property. After closing, GWC Properties shall manage the Property until December 31, 2015. For said management, GWC Properties shall receive fifty percent (50%) of the net operating income received from the leases. In managing the property, GWC Properties shall be responsible for collection of all rents and expense reimbursements, payment of all expenses related to the property, responsible for responding to tenants' issues and concerns, and shall be responsible for providing and maintaining current levels of property management and administration service. GWC Properties shall pay the City quarterly based upon the City's 50.0% share of Net Operating Income received. Net Operating Income earned by the City will be derived by GWC computing the collected total revenues, based upon gross rental income and tenant reimbursements of expense, and deducting all operating expenses directly associated with the property and spent by GWC Properties. A property management agreement between the City and GWC Properties will be executed within 75 days of the execution of this Option Agreement. The property management agreement will establish a scope of services consistent with the above language and with the level of service provided by GWC Properties prior to closing. A monthly report will be delivered to the City, post-closing, by GWC Properties that will provide a summary worksheet detailing total revenues by tenant, operating expenses by major category and any reimbursements collected from tenants. The monthly report format would be an attachment to the executed property management agreement and will not need to be audited nor will it require a CPA signature.
7. The City represents and acknowledges that it has not retained and is not represented by a real estate broker.

IN WITNESS WHEREOF, the Sellers have hereto set their hands and seal. If corporate, the Sellers have caused this Option to be signed in their corporate name by their duly authorized officers and their seal to be hereto affixed by authority of their board of directors.

DATE: 8/24 _____, 2014

GWC PROPERTIES,
A North Carolina general partnership

By:  (SEAL)

STANDARD OPTION TERMS

1. Deed: After the Option is exercised and before the expiration of the Term, if the Sellers have marketable record title to the Property, the Sellers shall execute and deliver to the City a general warranty deed conveying a good and marketable title, free of all encumbrances except for utility easements and unviolated restrictive covenants if those easements and covenants do not materially affect the value or use of the Property in the City's opinion. If the Sellers don't have marketable record title to the Property (such matters as mortgages, judgments, "heirs" property, defects in the title, and other are considered to prevent the title from being marketable record title), then the Term shall be extended by a reasonable period of time sufficient to allow the City to be satisfied that the title the City would acquire by the deed from the Sellers would be marketable or otherwise satisfactory to the City. If the Sellers are unable to provide title that is good and marketable, as defined in the first sentence of this section, the City may choose not to acquire the Property and any earnest money paid by the City shall be returned. On or before the expiration of the Term, if the City exercises the Option, the City shall deliver to one of the Sellers a deed for the Sellers to execute. Unless otherwise agreed in this Option, the title shall be fee simple. If the Property is an easement for water, sewer, construction, or greenway purposes, the deed shall be the form deed of easement in current use by the City.
2. Taxes and Rents: (a) Ad valorem real property taxes on the Property shall be prorated on a calendar year basis to the date of closing. (b) In all events, ad valorem taxes on personal property for the entire year shall be paid by Sellers. A modification of this Option to the effect that property taxes will be prorated will affect only real property taxes, unless "personal property taxes" are specifically mentioned. (c) If the Property is rented out to a tenant, the rents on the Property shall be prorated to the date of closing, and the Sellers shall assign their rights in the lease to the City.
3. Right of Entry: After the signing of this Option, the City, its agents, and its contractors may enter upon the Property for purposes related to the acquisition and due diligence of the Property, such as surveying, geotechnical, and environmental testing. The City shall provide 48 hours notice to Sellers prior to entry upon the Property.
4. Charges: The Sellers shall pay for the revenue stamps required by law, unless the purchase price is less than \$100.00, in which case the City shall pay for them. The City shall prepare the deed of conveyance at no expense to the Sellers and record it at no cost to the Sellers.
5. Option: This Option shall be binding upon and shall inure to the benefit of the parties, and their heirs, personal representatives, successors, and assigns. Throughout this Option, unless the context otherwise requires, the use of the plural includes the singular and vice versa. This Option contains the entire agreement between the parties, and no representations as to the Option or purchase of the Property that may have been made will be binding unless expressed in this instrument. This Option shall be construed according to North Carolina law.
6. Exercise: If City Council approval is needed, then this Option shall be considered to be exercised when the Council approves it and no notice needs to be given to the Sellers. If Council approval is not necessary and the City Manager may exercise this Option, then this Option may be exercised either by delivery of a deed to be signed by the Sellers or by the mailing or hand-delivery of a letter stating the intent to exercise, to any of the persons constituting the Sellers.
7. Description: If the description of the Property in this Option is ambiguous or imprecise in the opinion of the City, the City shall designate in the deed the precise boundaries of the Property to be acquired.

EXHIBIT A

Description of Property

All of that property identified as Durham County Tax Parcel Numbers 102868, 102869, 102870, 102871, and 102890; said properties being all of the property owned by Seller within the area bounded by East Ramseur Street, Hood Street, East Main Street, and South Elizabeth Street as shown below.

